
From: Rodney, Carolyn
Sent: Friday, 9 August 2024 11:27 AM
To: Thompson, Peter; State Development; Councillor Dallas Tout
Cc: Posselt, Carmel
Subject: CM: RE: Inquiry into the ability of local governments to fund infrastructure and services - Post-hearing responses - 15 July 2024

Good morning,

Question taken on notice: Should councils move to cost-based accounting versus fair value accounting?

Response:

The long-standing debate of historical cost accounting versus fair value accounting is no more prevalent than in local government, particularly given the types of assets local government entities have on their books.

The method of valuing assets that have a market value via the fair value method is appropriate – these are assets like financial investments, buildings etc. These are assets that can be readily market tested for value. The method of valuing assets like roads, footpaths, kerb and gutter, culverts, bridges etc., is currently completed by determining the cost to replace the asset each year, which requires complex componentisation at times, and can change significantly one year to the next with changes in treatment methods.

As mentioned during the inquiry, I find very little benefit in the substantial work undertaken by council employees to compile fair values for assets that do not have a market, and will never be sold. This, coupled with the council's requirement to pay their auditors to undertake the audit work on the many assumptions used to compile fair valuation of assets provides no benefit to council's ratepayers.

Please don't hesitate to contact me if you require any further information.

Regards,
Carolyn

Carolyn Rodney
Chief Financial Officer

Committed to a thriving, innovative, connected and inclusive city

Wagga Wagga City Council acknowledges the traditional custodians of the land, the Wiradjuri people, and pays respect to Elders past, present and future and extends our respect to all First Nations Peoples in Wagga Wagga. We recognise and respect their cultural heritage, beliefs and continuing connection with the land and rivers. We also recognise the resilience, strength and pride of the Wiradjuri and First Nations communities.